STATE OF CALIFORNIA   JOHN CHIANG,
                                                                                 California State Controller

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: August 24, 2007   PERSONNEL LETTER #07-011
                                                 Civil Service Only

TO: All Agencies in the Uniform State Payroll System

FROM: Don Scheppmann, Chief
        Personnel/Payroll Services Division

RE: **JULY 1, 2007 GENERAL SALARY INCREASE FOR CIVIL SERVICE BARGAINING UNITS
        1, 3, 4, 7, 9-21 AND EXCLUDED EMPLOYEES**

        Pursuant to the memorandum of understandings, the Department of Personnel Administration (DPA)
        has approved a general salary increase (GSI) for rank and file classes/ranges in bargaining units 1, 3, 4,
        7, 9-21 effective July 1, 2007 and a special salary increase for certain civil service employees effective
        July 1, 2007. Refer to DPA Pay Letter 07-34 for further information. In addition, DPA has approved a
        GSI and a special salary increase for certain excluded employees effective July 1, 2007. Refer to DPA
        Pay Letter 07-35 for further information.

        The GSI for both rank and file and excluded employees will be processed via an employment history
        (EH) data base mass update and manually for those who cannot be included in the mass update (see
        below). The new salary rate will be reflected in the employees' September 2007 master payroll. Also,
        adjustments payments will be made for the 07/2007 and 08/2007 pay periods. See below for additional
        information on the adjustment payments.

        Information on the special salary increases will be addressed in a future Personnel Letter.

        1. UPDATE PROCESSES

           An EH mass update will be processed on the Sunday August 26, 2007 to post the 07/01/07 effective
           date GEN transaction for the employees due a GSI. The GEN transaction will reflect the GSI within
           the employee's base salary rate. In addition, out-of-sequence transactions will be included in the
           mass update process.

           PPSD will manually update the EH records not included in the mass update on a flow basis. Also,
           PPSD will notify departments of situations requiring department action.

           A turnaround (TAD) PAR will be issued from the above update. The TAD PARS will be released
           on a flow basis.

Departments will need to manually update the EH records of the following employees:

Paid under the 9-12, 10-12 or 11-12 pay plans:

- If the employee is on work status as of July 1, 2007, process a 07/01/07 effective date GEN transaction. Enter the new salary rate on the GEN transaction. If the salary rate is not entered, the rate may be computed incorrectly by the EH on-line system.

- If the employee is not on work status as of July 1, 2007, process a SAL transaction effective the date the employee returns to work status. Enter the new salary rate on the SAL transaction.

C.E.A. (class code 7500):

- Process a 07/01/07 effective date SAL transaction in accordance with Section 8 of the DPA Pay Scales. Enter the new salary rate on the SAL transaction.

Limited Examination and Appointment Program (LEAP) Candidates (class code 4687):

- Process a 07/01/07 effective date SAL transaction reflecting the new salary rate.

New Program Consultants (class code 4661) and Special Consultants (class code 4660):

- Process a 07/01/07 effective date GEN transaction. The GEN PARs must be sent to the Department of Personnel Administration (DPA). In most instances, a new approved Request For Certification Form 625 will be required before the GEN PAR can be processed. Departments with approved delegation agreements for appointments to the classifications may process the GEN transaction without DPA approval. However, exceptions to the agreement will require DPA approval for the GSI.

2. SPECIAL EH DOCUMENTATION/ PROCESSING INSTRUCTIONS

Once an employee's EH record is updated, the 07/01/07 effective date GEN or SAL transaction could create an out-of-sequence condition. If allowed, salary rate and the appropriate pay differential Earnings ID (EID) (see the DPA Pay Letter 07-34 and 07-35 for the pay differential changes) must be entered on any new out-of-sequence transaction. If not entered, the salary rate and/or pay differential EID per the 07/01/07 effective date GEN/SAL transaction will be reflected on the new transaction and could create an overpayment situation. See PAM Section 9 for further processing information.

If correcting a 07/01/07 effective date transaction that was posted before the 07/01/07 effective date GEN/SAL transaction, key enter the GSI Code O (alpha O in the GSI field on the GSI field on the PAR1 update screen) on the correct transaction to denote old salary rate. Also, per DPA, an MSA/SIS transaction shall be applied before a salary range change. Thus, the 07/01/07 effective date MSA/SIS transaction must be posted on an employee's EH record before the 07/01/07 effective date GEN/SAL transaction. Key enter the GSI Code O on the MSA/SIS transaction to denote old salary rate. Failure to enter the GSI Code O could result in an incorrect base salary rate and/or anniversary date (i.e., overpayment).

3. PAYROLL ADJUSTMENTS

Adjustments for regular pay payments and overtime payments (i.e., non-FLSA overtime pay) that have already been issued will be automatically made after the employee's EH records are updated for the salary change. For employees updated via the above EH mass update, the adjustments will be made in the August 27, 2007 payroll cycle.

PPSD will manually issue adjustments for holiday pay system generated salary rate payments (payment type S, payment type suffix H). Adjustment processing will begin in September 2007.

Departments will need to request GSI adjustments for the following payments that have issued for the 07/2007 and 08/2007 pay periods via the PIP System on the Form 671. See PPM Section K for PIP System instructions.

- FLSA overtime pay (payment type 1, payment type suffix F) - see PPM Section G024 for further information.

- Out of Class pay (Earnings ID SI only) – see PPM Section G831 for further information.

- Awards/Bonus/Special pay (payment type A, G, 9 and S (except holiday pay)) if the pay rate is based on the employee's based on salary and the employee is receiving a GSI. Determine the difference in gross due and key the difference in the gross field on the PIP System's miscellaneous detail screen. For example, an employee was paid a payment type A, G, 9, or S gross of $400.00 and the new gross after the GSI should be $430.00. The difference of gross due is $30.00 and that amount should be entered in the PIP System miscellaneous detail screen's gross field.

Departments will need to submit Form STD. 674/674D to request adjustments for the following payment that have issued for the 07/2007 and 08/2007 pay periods.

- Regular pay with dock applied for employees with a mid-month change.

- Regular pay for employees on an alternate work schedule or working a shift and time paid does not equal time possible for the pay period.

- Industrial Disability (IDL).

- Temporary Disability (TD).

- Nonindustrial Disability Leave (NDI) if benefits began after the 06/2007 pay period.

- NDI Annual Leave Supplementation.

- Out-of-Class pay – Earnings ID 8G and 8G2 only.

- Supplemental premium Payment Type 8 only if the pay rate is based on a percentage of the employee's based on salary rate and the employee is receiving a GSI.

- Holiday pay, user-entered rate (payment type S, payment suffix G).

4. RETROACTIVITY CHARGES

The transactions as a result of the July 1, 2007 salary changes are considered to be non-controllable personnel and payroll transactions. The EH transactions and payroll adjustments resulting from the EH mass updates or initiated by PPSD should not be reflected on the Monthly Retroactivity Report. The EH transaction and payroll transactions that are key entered by the departments will appear on the department's report. The department can return the report identifying the items associated with the July 1, 2007 salary change along with the appropriate explanation.

5. TELEPHONE CONTACTS

Questions regarding the salary changes and EH/Payroll processing information can be directed as follows:

SALARY AREA	CONTACT	TELEPHONE NUMBER
Salary Program	DPA	(916) 324-9381
EH Procedures	Personnel Operations Liaison Staff	(916) 322-6500
Disability Procedures	Disability Liaison Unit	(916) 322-3619
General Payroll Procedures	Payroll Liaison Unit	(916) 323-3081

DS:JB:PMAB